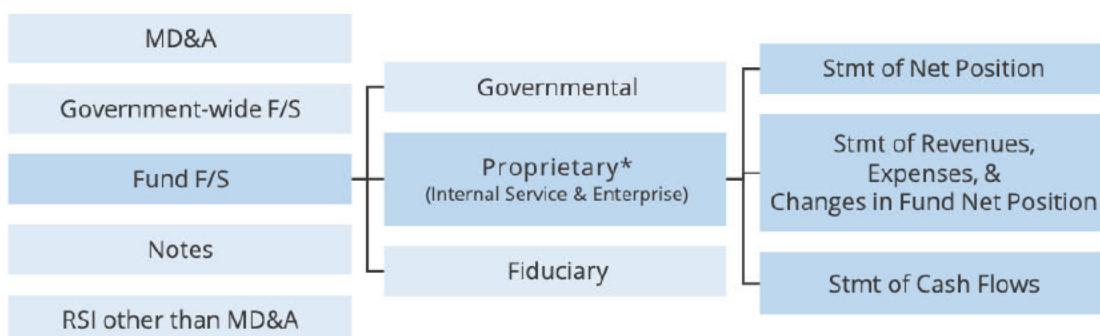


20.05 Proprietary Fund Financial Statements

Overview



*Accrual basis, Current economic resources approach

Proprietary Funds—Internal Service & Enterprise Fund

A statement of net position (Balance Sheet), statement of revenues, expenses, and changes in fund net position, and statement of cash flows will be prepared with columns for each major enterprise fund and a total for all minor enterprise funds. The internal service funds are reported in a separate column in these statements (note their inclusion here and *not* with the governmental funds, where they were grouped in the government-wide F/S).

The statement of **cash flows**, with a few adjustments, is similar to that of a private entity, except that there are four sections and a reconciliation (**OINCR**):

- **Operating**
 - Must be prepared under the **direct method** with a reconciliation (indirect) also presented
 - Does not include interest or dividends
- **Investing**
 - Includes interest/dividend income
 - No capital asset acquisition/disposal
 - Loans made
- **Noncapital Financing**
 - Includes interest expense on unsecured loans
 - Transfers, grants, subsidies, and property taxes received
- **Capital & Related Financing**
 - Includes interest expense on secured loans for capital assets
 - Includes financed purchases and sales of capital assets (normally investing)

Some governmental entities are involved in loan programs (eg, low-income mortgage loans or student loans). Making/collecting loans is the primary activity of such entities; thus, their loans, including interest, are reported as operating activities.

A **Reconciliation** of operating income to net cash from operating activities must be provided.

Sample City
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 20X1

	Business-type activities— Enterprise funds			Governmental Activities—Internal service fund	
	Water and sewer	Parking facilities	Totals		
Assets					
<i>Current assets:</i>					
Cash and cash equivalents	\$8,416,653	\$369,168	\$8,785,821	\$3,336,099	
Investments	-	-	-	150,237	
Receivables, net	3,564,586	3,535	3,568,121	157,804	
Due from other governments	41,494	-	41,494	-	
Inventories	<u>126,674</u>	-	<u>126,674</u>	<u>139,328</u>	
Total current assets	<u>12,149,407</u>	<u>372,703</u>	<u>12,522,110</u>	<u>3,783,468</u>	
<i>Noncurrent assets:</i>					
Restricted cash and cash equivalents	-	1,493,322	1,493,322	-	
<i>Capital assets:</i>					
Land	813,513	3,021,637	3,835,150	-	
Distribution and collection systems	39,504,183	-	39,504,183	-	
Buildings and equipment	106,135,666	23,029,166	129,164,832	14,721,786	
Less accumulated depreciation	<u>-15,328,911</u>	<u>-5,786,503</u>	<u>-21,115,414</u>	<u>-5,781,734</u>	
Total noncurrent assets	<u>131,124,451</u>	<u>21,757,622</u>	<u>152,882,073</u>	<u>8,940,052</u>	
Total assets	<u>143,273,858</u>	<u>22,130,325</u>	<u>165,404,183</u>	<u>12,723,520</u>	
Deferred Outflows					
Payment to receive rights to future parking					
Revenue					
Liabilities					
<i>Current liabilities:</i>					
Accounts payable	447,427	304,003	751,430	780,570	
Due to other funds	175,000	-	175,000	1,170,388	
Compensated absences	112,850	8,827	121,677	237,690	
Claims and judgments	-	-	-	1,687,975	
Bonds, notes, and loans payable	<u>3,944,609</u>	<u>360,000</u>	<u>4,304,609</u>	<u>249,306</u>	
Total current liabilities	<u>4,679,886</u>	<u>672,830</u>	<u>5,352,716</u>	<u>4,125,929</u>	
<i>Noncurrent liabilities:</i>					
Compensated absences	451,399	35,306	486,705	-	
Claims and judgments	-	-	-	5,602,900	
Bonds, notes, and loans payable	<u>54,451,549</u>	<u>19,544,019</u>	<u>73,995,568</u>	-	
Total noncurrent liabilities	<u>54,902,948</u>	<u>19,579,325</u>	<u>74,482,273</u>	<u>5,602,900</u>	
Total liabilities	<u>59,582,834</u>	<u>20,252,155</u>	<u>79,834,989</u>	<u>9,728,829</u>	
Deferred Inflows					
Net Position					
-Net Investment in capital assets	72,728,293	360,281	73,088,574	8,690,746	
-Restricted for debt service	-	1,451,996	1,451,996	-	
Unrestricted	10,962,731	65,893	11,028,624	-5,696,055	
Total Net Position	\$83,691,024	\$1,878,170	\$85,569,194	\$2,994,691	

Sample City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 20X1

	Business-type activities— Enterprise funds			Governmental activities—Internal service funds
	Water and sewer	Parking facilities	Total	
<u>Operating revenues:</u>				
Charges for service	\$11,329,883	\$1,340,261	\$12,670,144	\$15,256,164
Miscellaneous	=	3,826	3,826	1,066,761
Total operating revenues	11,329,883	1,344,087	12,673,970	16,322,925
<u>Operating expenses:</u>				
Personal services	3,400,559	762,348	4,162,907	4,157,156
Contractual services	344,422	96,032	440,454	584,396
Utilities	754,107	100,726	854,833	214,812
Repairs and maintenance	747,315	64,617	811,932	1,960,490
Other supplies and expenses	498,213	17,119	515,332	234,445
Insurance claims and expenses	-	-	-	8,004,286
Depreciation	1,163,140	542,049	1,705,189	1,707,872
Total operating expenses	6,907,756	1,582,891	8,490,647	16,863,457
Operating income (loss)	4,422,127	(238,804)	4,183,323	(540,532)
<u>Nonoperating revenues (expenses):</u>				
Interest and investment revenue	454,793	146,556	601,349	134,733
Gain on disposal of capital assets	-	104,925	104,925	20,855
Interest expense	(1,600,830)	(1,166,546)	(2,767,376)	(41,616)
Miscellaneous expense	=	(46,846)	(46,846)	(176,003)
Total nonoperating revenues (expenses)	(1,146,037)	(961,911)	(2,107,948)	(62,031)
Income (loss) before contributions and transfers	3,276,090	(1,200,715)	2,075,375	(602,563)
Capital contributions	1,645,919	-	1,645,919	18,788
Transfers out	(290,000)	(211,409)	(501,409)	(175,033)
Change in net position	4,632,009	(1,412,124)	3,219,885	(758,808)
Total net position—beginning	79,059,015	3,290,294	82,349,309	3,753,499
Total Net Position—ending	\$83,691,024	\$1,878,170	\$85,569,194	\$2,994,691

Sample City
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 20X1

	Business-type activities—Enterprise funds			Governmental activities—Internal service funds
	Water and sewer	Parking facilities	Total	
Cash flows from Operating activities				
Receipts from customers	\$11,400,200	\$ 1,345,292	\$12,745,492	\$15,326,343
Payments to suppliers	(2,725,349)	(365,137)	(3,090,486)	(2,812,238)
Payments to employees	(3,360,055)	(750,828)	(4,110,883)	(4,209,688)
Internal activity—payments to other funds	(1,296,768)	–	(1,296,768)	–
Claims paid	–	–	–	(8,482,451)
<u>Other receipts (payments)</u>	(2,325,483)	–	(2,325,483)	1,061,118
Net cash provided by operating activities	<u>1,692,545</u>	<u>229,327</u>	<u>1,921,872</u>	<u>883,084</u>
Cash flows from Noncapital Financing activities				
Operating subsidies and transfers to other funds	(290,000)	(211,409)	(501,409)	(175,033)
Cash flows from Capital and related Financing activities				
Proceeds from capital debt	4,041,322	8,660,778	12,702,100	–
Capital contributions	1,645,919	–	1,645,919	–
Purchases of capital assets	(4,194,035)	(144,716)	(4,338,751)	(400,086)
Principal paid on capital debt	(2,178,491)	(8,895,000)	(11,073,491)	(954,137)
Interest paid on capital debt	(1,479,708)	(1,166,546)	(2,646,254)	41,616
<u>Other receipts (payments)</u>	=	<u>19,174</u>	<u>19,174</u>	<u>131,416</u>
Net cash (used) by capital and related financing activities	<u>(2,164,993)</u>	<u>(1,526,310)</u>	<u>(3,691,303)</u>	<u>(1,264,423)</u>
Cash flows from Investing activities				
Proceeds from sales and maturities of investments	–	–	–	15,684
<u>Interest and dividends</u>	<u>454,793</u>	<u>143,747</u>	<u>598,540</u>	<u>129,550</u>
Net cash provided by investing activities	<u>454,793</u>	<u>143,747</u>	<u>598,540</u>	<u>145,234</u>
Net (decrease) in cash and cash equivalents	(307,655)	(1,364,645)	(1,672,300)	(411,138)
Balances—beginning of the year	<u>8,724,308</u>	<u>3,227,135</u>	<u>11,951,443</u>	<u>3,747,237</u>
Balances—end of the year	<u>\$ 8,416,653</u>	<u>\$ 1,862,490</u>	<u>\$ 10,279,143</u>	<u>\$ 3,336,099</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 4,422,127	\$ (238,804)	\$ 4,183,323	\$ (540,532)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,163,140	542,049	1,705,189	1,707,872
Change in assets and liabilities:				
Receivables, net	653,264	1,205	654,469	31,941
Inventories	2,829	–	2,829	39,790
Accounts and other payables	(297,446)	(86,643)	(384,089)	475,212
<u>Accrued expenses</u>	<u>(4,251,369)</u>	<u>(11,520)</u>	<u>(4,239,849)</u>	<u>(831,199)</u>
Net cash provided by operating activities	<u>\$ 1,692,545</u>	<u>\$ 229,327</u>	<u>\$ 1,921,872</u>	<u>\$ 883,084</u>